

Message Text

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E.O. 11652: N/A

TAGS: ETRD, UK, EEC

SUBJECT: ANTIDUMPING: CASE AGAINST FOREIGN AUTOMOBILES

1. ON JULY 31 HUGH CORTAZZI, MINISTER OF ECONOMIC AFFAIRS,
DELIVERED FOLLOWING AIDE MEMOIRE TO DEPUTY ASSISTANT SECRE-
TARY GLITMAN. BEGIN TEXT:

HER BRITANNIC MAJESTY'S EMBASSY HAVE NOTED WITH CONCERN
PRESS REPORTS THAT THE UNITED STATES ADMINISTRATION MAY
SHORTLY INITIATE ANTI-DUMPING INVESTIGATIONS AGAINST IMPORTS
OF FOREIGN CARS ON THE BASIS OF COMPLAINTS SUBMITTED TO THE
TREASURY DEPARTMENT BY CONGRESSMAN JOHN DENT AND BY
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MR. LEONARD WOODCOCK, THE PRESIDENT OF THE UNITED AUTO
WORKERS. HER MAJESTY'S EMBASSY TRUST THAT IN REVIEWING
THESE COMPLAINTS THE UNITED STATES ADMINISTRATION WILL GIVE
FULL WEIGHT TO THE SPIRIT AND LETTER OF THE GATT ANTI-

DUMPING CODE TO WHICH THE UNITED STATES IS A SIGNATORY.

DESPITE THE RECESSION IN WORLD DEMAND THE UNITED STATES HAS RECENTLY ENJOYED ITS FIFTH SUCCESSIVE MONTH OF TRADE SURPLUS. OTHER COUNTRIES ARE NOT IN SUCH A FORTUNATE POSITION. THE UNITED STATES ADMINISTRATION WILL BE AWARE OF THE STRONG PROTECTIONIST PRESSURES IN OTHER COUNTRIES AGAINST IMPORTS AND WILL REALISE THAT ANY STEPS TAKEN IN THE

UNITED STATES WHICH COULD BE CONSTRUED ABROAD AS BEING PROTECTIONIST IN EFFECT COULD BE VERY HARMFUL TO THE GROWTH OF WORLD TRADE AND COULD IN PARTICULAR LEAD TO THE DEVELOPMENT OF NEW BARRIERS TO TRADE IN THE IMPORTANT MOTOR CAR SECTOR.

HER MAJESTY'S EMBASSY WISH IN THIS CONTEXT TO DRAW THE ATTENTION OF THE UNITED STATES ADMINISTRATION TO ARTICLE 5(A) OF THE GATT ANTI-DUMPING CODE WHICH STATES THAT ANTI-DUMPING INVESTIGATIONS SHALL NORMALLY BE INITIATED UPON A REQUEST ON BEHALF OF THE DOMESTIC INDUSTRY AFFECTED. THE TERM "DOMESTIC INDUSTRY" IS DEFINED IN THE CODE AS "THE DOMESTIC PRODUCERS AS A WHOLE OF THE LIKE PRODUCTS OR TO THOSE OF THEM WHOSE COLLECTIVE OUTPUT OF THE PRODUCT CONSTITUTES A MAJOR PROPORTION OF THE TOTAL DOMESTIC PRODUCTION OF THOSE PRODUCTS." SECTION 153.26 OF UNITED STATES CUSTOMS REGULATIONS ALSO REFERS TO INFORMATION IN ANTI-DUMPING INVESTIGATIONS BEING GIVEN TO THE COMMISSIONER OF CUSTOMS "ON BEHALF OF AN INDUSTRY IN THE UNITED STATES". NONE OF THE UNITED STATES MANUFACTURERS OF CARS HAS, AS FAR AS THE EMBASSY ARE AWARE, FILED ANTI-DUMPING COMPLAINTS AGAINST CAR IMPORTS AND HER MAJESTY'S EMBASSY DO NOT THINK THAT EITHER CONGRESSMAN DENT OR MR. WOODCOCK FULFIL THE CRITERIA FOR DOMESTIC INDUSTRY LAID DOWN IN THE CODE.

HER MAJESTY'S EMBASSY WISH ALSO TO REFER THE UNITED STATES ADMINISTRATION TO THE REQUIREMENT OF ARTICLE 5 OF THE GATT LIMITED OFFICIAL USE
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ANTI-DUMPING CODE THAT ANTI-DUMPING INVESTIGATIONS SHOULD BE INITIATED ONLY UPON EVIDENCE OF DUMPING AND INJURY RESULTING THEREFROM. HER MAJESTY'S GOVERNMENT VERYMUCH WELCOMED THE INSERTION OF SECTION 321(C) (2) INTO THE 1974 TRADE ACT WHICH BROUGHT UNITED STATES LAW INTO CLOSER CONFORMITY WITH THE GATT CODE ON THIS POINT. THIS SECTION OF THE TRADE ACT PRESCRIBES THAT IF THE SECRETARY OF THE TREASURY CONCLUDES FROM INFORMATION AVAILABLE TO HIM THAT THERE IS SUBSTANTIAL DOUBT THAT AN INDUSTRY IN THE UNITED STATES IS BEING OR IS LIKELY TO BE INJURED AS A RESULT OF DUMPING HE SHOULD SEEK ADVICE FROM THE INTERNATIONAL TRADE COMMISSION (TO BE TENDERED WITHIN A PERIOD OF THIRTY DAYS)

WHETHER AN INVESTIGATION SHOULD BE TERMINATED ON GROUNDS THAT THERE IS NO REASONABLE INDICATION THAT A U.S. INDUSTRY IS BEING OR IS LIKELY TO BE INJURED AS A RESULT OF IMPORTS. IN THIS CONTEXT HER MAJESTY'S EMBASSY WISH TO DRAW THE UNITED STATES ADMINISTRATION'S ATTENTION TO THE STATEMENT MADE BY MR. WILLIAM EBERLE, THE PRESIDENT OF THE MOTOR VEHICLE MANUFACTURERS ASSOCIATION BEFORE CONGRESSMAN DENT'S SUBCOMMITTEE ON 5 MARCH 1975 THAT "THE DROP IN DOMESTIC SALES (OF THE AMERICAN CAR INDUSTRY) HAVE NOT

BEEN CAUSED BY THE IMPORT OF MOTOR VEHICLES INTO THE UNITED STATES AS SUCH." AND ALSO TO A MORE RECENT STATEMENT MADE BY MR. ELLIOTT ESTES, THE PRESIDENT OF GENERAL MOTORS, DURING A SENATE FINANCE COMMITTEE HEARING ON 10 JULY WHICH IS ANNEXED TO THIS AIDE MEMOIRE. HER MAJESTY'S EMBASSY DO NOT THINK THAT THE EVIDENCE SUPPLIED TO THE TREASURY DEPARTMENT BY CONGRESSMAN DENT AND MR. WOODCOCK PROVIDES REASONABLE INDICATION THAT THE US INDUSTRY HAS BEEN INJURED AS A RESULT OF DUMPING. IN VIEW OF THE STATEMENTS QUOTED BY SPOKESMEN OF THE DOMESTIC MANUFACTURERS HER MAJESTY'S EMBASSY URGES THAT THE TREASURY DEPARTMENT REJECT THE COMPLAINTS ON THE GROUNDS THAT ADEQUATE EVIDENCE OF INJURY HAS NOT BEEN PROVIDED AND THAT THE COMPLAINT HAS NOT BEEN MADE BY THE DOMESTIC INDUSTRY. IF THEY HAVE ANY DOUBT ON THE QUESTION OF INJURY, IT IS SUGGESTED THAT THE TREASURY DEPARTMENT SHOULD AT LEAST AVAIL THEMSELVES OF THE ADVICE OF THE INTERNATIONAL TRADE COMMISSION AS PRESCRIBED BY UNITED STATES LAW BEFORE EMBARKING UPON AN ANTI-DUMPING INVESTIGATION.

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IF ANTI-DUMPING INVESTIGATIONS WERE INITIATED THE EMBASSY ARE CONFIDENT BRITISH CAR PRODUCERS WOULD EVENTUALLY BE EXONERATED ON THE INJURY POINT ALONE. IN THE MEANTIME, HOWEVER, BRITISH FIRMS WOULD HAVE BEEN SUBJECTED TO CONSIDERABLE HARASSMENT AND VERY HEAVY EXPENDITURE ON LEGAL FEES.

HER BRITANNIC MAJESTY'S EMBASSY FOR THESE REASONS AND ALSO THE WIDER ONES CITED IN THE INTRODUCTORY PARAGRAPH OF THE AIDE MEMOIRE THEREFORE REQUEST THAT THE UNITED STATES ADMINISTRATION GIVE VERY CAREFUL THOUGHT TO THEIR OBLIGATIONS UNDER THE GATT ANTI-DUMPING CODE AND ALSO TO THE REPERCUSSIONS OF THEIR ACTIONS ON PROTECTIONIST SENTIMENT ABROAD BEFORE STARTING THE INVESTIGATIONS REQUESTED BY CONGRESSMAN DENT AND MR. WOODCOCK ON WHAT WILL APPEAR TO THE UNITED STATES TRADING PARTNERS AS INSUFFICIENT GROUNDS.

ANNEX: THE FOLLOWING IS AN EXTRACT FROM AN EXCHANGE THAT TOOK PLACE BETWEEN MR. ELLIOTT M. ESTES, THE PRESIDENT OF

GENERAL MOTORS AND SENATOR HASKELL OF COLORADO DURING
SENATE FINANCE COMMITTEE HEARINGS ON 10 JULY 1975:-

"SENATOR HASKELL. WHAT TROUBLES ME, MR. ESTES, IS YOU SAY
THAT MAKING THE CAR LIGHTER, MORE MILEAGE EFFICIENT COMING
UP TO THESE (FUEL EFFICIENCY) STANDARDS IS GOING TO HURT
YOUR SALES AND YET AT THE SAME TIME OVER THE PAST FIVE
YEARS THE FOREIGN CARS HAVE MADE A TREMENDOUS IMPACT, I
BELIEVE 20 PERCENT OF THE U.S. MARKET IS A FAIR FIGURE

NOW.

MR. ESTES. LET ME RESPOND TO THAT IN A MOMENT. IN ACTUAL
NUMBERS, THE FOREIGN CAR SALES HAVE NOT INCREASED THAT
MUCH. I THINK THIS YEAR FOREIGN CARS ARE BEING SOLD AT AN
ANNUAL RATE OF ABOUT 1.4 MILLION, 1.5 MILLION, AND THAT IS
ABNORMAL.

THE PROBLEM IS THAT OUR BUYERS HAVE BEEN POSTPONING THE
PURCHASE OF OUR CARS AND THE DOMESTIC MARKET HAS GONE DOWN
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SO THAT THE PERCENTAGE HAS GONE UP. BUT IN ACTUAL NUMBERS,
THEIR VOLUME IS NOT A GREAT DEAL HIGHER THAN IT WAS IN THE
PAST".

IT WILL BE NOTED FROM THE UNDERLINED PORTION OF MR.
ESTES'S STATEMENT (THE PROBLEM IS THAT OUR BUYERS HAVE
BEEN POSTPONING THE PURCHASE OF OUR CARS) THAT GENERAL
MOTORS CONSIDER THE DIFFICULTIES OF THE US CAR INDUSTRY
TO STEM FROM POSTPONEMENT OF PURCHASE OF DOMESTIC CARS BY
CONSUMERS AND NOT FROM IMPORTS.

BRITISH EMBASSY
WASHINGTON
31 JULY 1975-- END TEXT.

COMMENT: IN DISCUSSING THE AIDE MEMOIRE MINISTER CORTAZZI
STRESSED THAT THE MAJOR CONCERN OF THE U.K. GOVERNMENT WAS
OVER THE HARASSMENT OF FIRMS AND THE LEGAL EXPENSES WHICH
WOULD BE INVOLVED IN A PROTRACTED ANTI-DUMPING INVESTIGA-
TION. DEPUTY ASSISTANT SECRETARY GLITMAN ASSURED THE
MINISTER THAT WE WERE FULLY AWARE OF THE DIFFICULTIES
INVOLVED FOR FIRMS UNDER INVESTIGATION FOR DUMPING AND
ASSURED HIM THAT THE ARGUMENTS MADE IN THE AIDE MEMOIRE
WOULD BE GIVEN FULL CONSIDERATION AT THE APPROPRIATE
LEVEL OF THE U.S. GOVERNMENT. INGERSOLL

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